

IREN Group: The Board of Directors has approved the results at 30 June 2018 with a strong growth in operating indicators and investments.

In the first half of 2018 the Group recorded particularly positive operating results: the increase in Ebitda amounted to +14.4%, while net profit grew by 29.2%.

This performance stemmed from different factors, among which IREN's ability to exploit recent M&A transactions (including ACAM La Spezia and Salerno Energia Vendite) and a number of non-recurring factors related to the recognition of energy efficiency certificates (thanks to investments in the district heating sector).

This trend was reflected in the robust cash generation, which made it possible to cover both significant technical investments (+59%) and most of the debt deriving from the merger of ACAM La Spezia.

- **Revenues of 1,937.0 million euros (+6.8% compared to 1,813.5 million euros at 30/06/2017)**
- **Ebitda of 505.8 million euros (+14.4% against 442.3 million euros at 30/06/2017)**
- **Ebit of 315.3 million euros (+22.7% compared to 256.9 million euros at 30/06/2017)**
- **Group Net Profit of 187.2 million euros (+29.2% against 144.8 million euros at 30/06/2017).**
- **Net Financial Position of 2,428 million euros +56 million euros compared to the figure at 31 December 2017. The NFP, net of the effects of the ACAM La Spezia aggregation, would have decreased by more than 100 million euros.**

Reggio Emilia, 2 August 2018 – The Board of Directors of IREN S.p.A., which met yesterday, approved the consolidated results at 30 June 2018.

Paolo Peveraro, Chairman of the Group, declared: - *“The figures of 2018 interim report are once again positive, thanks to the solidity of our multi-business model and to the ability to combine organic and external growth. This trend will continue as the completion of further M&A transactions is expected by the end of the year. In the first half of the year, an important part of the growth is in fact attributable to several consolidation transactions completed in the last 12 months, among which the aggregation with ACAM La Spezia stands out; this was completed in April this year. The latter, together with the constant increase in technical investments, which mark +59% in the first six months of 2018, emphasizes the role of development driver that the Group has for its reference territories and its increased attractiveness. We continue to create value for our stakeholders, confirming again our focus on all the dimensions of sustainability: economic, social and environmental.”*

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Massimiliano Bianco, CEO of the Group declared: *“The positive trend that has characterized the group’s performance in recent years is also confirmed in this first half of 2018, with all the operating indicators showing a double-digit percentage growth and this despite an unfavorable energy scenario. This economic trend is accompanied by a trend in net debt, which, excluding the significant M&A transactions completed in the last 12 months, would post a further decrease of around 106 million euros. These results derive from the Group’s ability to pursue with particular effectiveness the challenging targets outlined in the business plan presented in November 2017. These targets and the underlying strategic pillars will be further refined in the updating of the same plan, which we will present to the financial community by next September, with the aim of making the Group ever closer to customers, the central focus of our strategy.”*

IREN GROUP: CONSOLIDATED RESULTS AT 30 JUNE 2018

Consolidated **Revenues** in the first half of 2018 amounted to 1,937.0 million euros. The 6.8% increase compared to 1,813.5 million euros for the same period in the previous year is mainly due to the expansion of the scope of consolidation.

Ebitda is 505.8 million euros, +14.4% compared to the 442.3 million euros recorded in the first six months of 2017. This result is mainly linked to the recognition of energy efficiency certificates for previous years due to the Group’s investments in district heating, a sector in which it has the leadership in Italy with over 87 million cubic meters of district heated volumes. In addition to this, the achievement of about 10 million euros of synergies, in line with the objectives of the business plan and the contribution of the consolidation process that enabled the aggregation in April of this year of ACAM, the leading multiutility company in the eastern area of Liguria region.

These elements were partially offset by a scenario that penalized the energy value chain as a whole, together with the absence of positive non-recurring elements reported in 2017. Network-based business have a positive effect thanks to the synergies achieved and to an increase in regulated revenues due to the growth in invested capital. The contribution of the Waste sector was also positive, mainly due to the greater use of the Group’s disposal plants.

Ebit came out at 315.3 million euros, a sharp increase (+22.7%) compared to 256.9 million euros at 30 June 2017. This reflects the better operating results, while higher amortization and depreciation connected to the expansion of the consolidation area were offset by lower provisions largely linked to the application of IFRS 9.

Group Net Profit was 187.2 million euros, +29.2% compared to 144.8 million euros recorded for the first half of 2017. This growth is linked not only to operating results but also to better financial management, due to the decrease in the average cost of debt and the positive effect of lower taxes.

The **Net Financial Position** at 30 June 2018 was 2,428 million euros, up slightly increase compared to 31 December 2017. This was due to the impact of a number of M&A transactions (around 162 million euros), net of which, net financial debt would have decreased by more than 100 million euros.

Gross technical investments made in the period amounted to 164.2 million euros, significantly up compared to 30 June 2017 (+59%).

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IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euros)	30/06/2018	30/06/2017	Var. %
Revenues	1,937.0	1,813.5	6.8%
Electricity and district heating	620.3	554.7	11.8%
Market	1,240.5	1,248.3	-0.6%
Networks (electricity, gas, and water infr.)	443.3	421.3	5.2%
Waste	294.3	269.7	9.1%
Services and other	41.5	50.1	-17.1%
Netting and adjustments	-702.9	-730.6	-3.8%
Gross Operating Profit	505.8	442.3	14.4%
Electricity and district heating	206.6	147.2	40.3%
Market	62.9	69.9	-10.0%
<i>Electricity</i>	10.9	11.0	-0.7%
<i>Gas and Heat</i>	52.0	58.9	-11.7%
Networks	160.5	153.0	4.9%
<i>Electricity networks</i>	34.8	35.3	-1.2%
<i>Gas networks</i>	38.7	38.2	1.4%
<i>Water networks</i>	87.0	79.5	9.3%
Waste	73.5	71.1	3.3%
Services and other	2.3	1.2	(*)
Operating Profit	315.3	256.9	22.7%
Electricity and district heating	145.1	84.1	72.5%
Market	42.7	48.6	-12.0%
Networks (electricity, gas, and water infr.)	88.1	86.3	2.0%
Waste	36.0	37.2	-3.2%
Services and other	3.4	0.7	(*)

(*) Changes higher than 100%

ENERGY (GENERATION AND DISTRICT HEATING)

Revenues of the energy sector amounted to 620.3 million euros compared to 554.7 million euros reported in the first half of 2017 (+11.8%). This strong increase was mainly due to the recognition of energy efficiency certificates for previous years linked to significant investments in district heating which allowed the Group to confirm its national leadership in the sector.

EBITDA came out at 206.6 million euros, a significant increase (+40.3%) compared to 30 June 2017. This is linked to the afore-mentioned energy efficiency certificates phenomenon and the Group's simultaneous ability to exploit a particularly favorable market window for the sale of the same certificates. This factor, together with the increase in hydroelectricity production, which benefitted from higher prices compared to the same period of the previous year, made it possible to offset lower margins and production in the thermoelectric and cogeneration sector.

In the first half of 2018, total **electricity** produced was 4,153 GWh, -14.5% compared to 4,859 GWh recorded in the same period in the previous year.

This is mainly attributable to the thermoelectric/co-generative sector, whose electricity production of 3,360, GWh (-20.4%), was affected by an unfavorable scenario. On the other

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hand, the trend in the renewable sector (hydroelectric and others) was particularly positive, with production of 793 GWh (+24.7%), due to greater water availability both in reservoir-based and run-of-the-river plants.

Heat production for district heating amounted to 1,571 Gwht, up slightly (+1.3%) thanks mainly to the increase in heated volumes, which exceeded 87 million cubic meters.

At 30 June 2018 **gross investments** amounted to 25,2 million euros, mainly devoted to cogeneration and district heating production.

MARKET

Revenues of the market sector came out at 1,240.5 million euros, substantially stable compared to 1,248.3 million euros recorded in the first half 2017.

EBITDA of the sector at 62.9 million euros is down by 10.0% compared to 69.9 million euros reported at 30 June 2017.

This derives from the gas sales sector, due to the absence of the positive effect that characterized the first months of 2017 linked to the use of stored gas bought at very favorable prices the previous year. The electricity sales sector recorded results in line with the first half of 2017: the contribution of non-recurring elements linked to previous years counterbalanced lower margins linked to the performance of the energy scenario.

Electricity directly sold in the first half of 2018 was 3,876 GWh, down by 19% against to 4,763 GWh reported in the same period last year, due to the lower quantities sold to wholesalers, while sales to final customers increased, in particular in the business segment.

1,540 million cubic meters of **gas** were bought, down 8% compared to 1,674 million cubic meters in the previous year, mainly due to lower internal use for thermoelectric production.

At 30 June 2018 **gross investments** amounted to 14.6 million euros.

NETWORKS (ENERGY AND WATER INFRASTRUCTURE)

Revenues in the sector amounted to 443.3 million euros, up by 5.2% compared to 421,3 million euros reported in the first half of 2017.

EBITDA came out at 160.5 million euros, up by (+4,9%) compared to 153.0 million euros reported at 30 June 2017. This growth derives mainly from the inclusion in the scope of consolidation of ACAM, together with the increase in regulated revenues due to the growth of investments and therefore of invested capital. The achievement of significant synergies and efficiencies is added to this.

During the reference period the Group distributed 1,861 GWh of **electricity**, 789 million cubic meters of **gas** and 90 million cubic meters of **water**.

At 30 June 2018, **gross investments** in the sector amounted to 100.9 million euros for modernization of the gas and electricity networks and for the construction of the infrastructures as provided in the "Territorial Plan" for the integrated water cycle.

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WASTE

In the Waste sector, **revenues** were 294.3 million euros, up by 9.1% on the figure reported at 30 June 2017 of 269.7 million euros. The increase derives mainly from higher revenues for collection activities and for the brokering of special waste and higher energy revenues.

EBITDA of 73.5 million euros grew (+3.3%) compared to 71.1 million euros recorded at 30 June 2017, mainly due to a greater saturation of the Group's disposal plants, which allowed the production of greater quantities of electricity valued at increasing prices due to market dynamics.

During the period, the waste managed amounted to approximately 1.1 million tons, with a significant increase in special waste (+ 40%)

At 30 June 2018 **gross investments** made in the sector amount to 9.5 million euros mainly devoted to the implementation and development of the "door-to-door" sorted waste collection system and to the maintenance of various plant.

BUSINESS OUTLOOK

The first half of 2018 was characterized by a slight slowdown in the global economy and turmoil in international trade due to the implementation of a series of protectionist policies by the United States. Also in the Euro area, growth decelerated particularly in the last months of the first half. To these phenomena is added the decision by the Governing Council of the ECB to stop purchases of securities at the end of the year. In relation to the Italian situation, the trend in energy commodities recorded a marked increase in the price of gas at the PSV (Virtual Trading Point), +16.3%, which was not completely reflected in the PUN (the price of electricity in the Italian Power Exchange), which increased by only 5.2%. In this scenario, which is not favorable for thermoelectric and cogeneration operators, the Group has in any case achieved growth performance in all operating indicators thanks to the resilience and balancing of its business portfolios and the significant investments made in the district heating sector in recent years. These have in fact allowed the recognition of energy efficiency certificates for previous periods, with a positive impact on margins.

During the second part of 2018 IREN's effort will be aimed at implementing the strategic pillars outlined in the business plan, presented to the financial community in November 2017, which introduced the concept of "circular vision": a 360-degree strategic view which focuses on the Client/Citizen through an action supported by efficiency, development, sustainability and care of internal resources. These elements will be further refined in the update of the Plan, which will be presented in the autumn, with the aim of making the strategic guidelines to be developed in the coming years even clearer and more effective.

CONFERENCE CALL

The results at 30 June 2018 will be illustrated today, 2 August at 10,00 (Italian time), during a conference call to the financial community, also broadcast through web casting in listen-only mode on the www.gruppoiren.it website in the investor section.

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ALTERNATIVE PERFORMANCE MEASURES (APMs)

A number of alternative performance indicators (API) are used in this press release, not provided for by the international accounting standards adopted by the European Union (IFRS-EU), in order to permit a better understanding of the economic-financial performance of the IREN Group. In compliance with the recommendations of the Guidelines published in October 2015 by ESMA, the significance, content and basis of calculation of said indicators are shown below:

- **Ebitda:** calculated by subtracting operating costs from total revenues. This IAP is used by the Group in both internal Group documents and in external documents and is a useful tool for evaluating the Group's operating performance (both overall and at single Business Unit level), also through a comparison between the operating results for the period in question and those for previous periods or years. This indicator also makes it possible to carry out analyses of operating trends and to measure performance in terms of operating efficiency over time.
- **Ebit:** calculated subtracting amortization, depreciation, provisions and operating write-downs from Ebitda.
- **Net financial debt:** calculated as the sum of non-current financial liabilities less non-current financial assets plus current financial liabilities less current financial assets and cash and cash equivalents. This IAP is used by the Group in both internal Group documents and external documents and is a useful measure of the Group's financial structure, also through a comparison between the period in question and those for previous periods or years.
- **Investments:** calculated as the sum of investments in tangible, intangible and financial assets (equity investments) and are shown gross of capital grants. This IAP is used by the Group in both internal Group documents and external documents and is a measure of the financial resources absorbed in the acquisition of non-current assets.

The Manager in charge of drawing up the corporate accounting documents, Mr, Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the accounting information presented herein corresponds to the accounting documents, records and registers.

The Financial Report at 30 June 2018 will be made available to the public as provided for by the law, at the company's headquarters (Via Nubi di Magellano, 30 – Reggio Emilia) at Borsa Italiana S.p.A, and they will be published on the website www.gruppoiren.it.

The financial statements of IREN Group S.p.A. (currently subject to audit) are set out below.

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IREN GROUP: CONSOLIDATED INCOME STATEMENT AT 30/6/2018

(Thousands Euro)

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	30.06.2018	30.06.17 Redetermined*	Var. %
Revenues			
Revenues from goods and services	1,771,999	1,701,170	4.2
Change in contract work in progress	27	(4,707)	(**)
Other revenues and income	164,930	117,069	40.9
Total Revenues	1,936,956	1,813,532	6.8
Operating expenses			
Costs for raw materials, consumables, supplies and goods	(625,735)	(606,837)	3.1
Services and use of third-party assets	(598,190)	(549,204)	8.9
Other operating expenses	(25,344)	(40,961)	(38.1)
Capitalized expenses for internal work	13,804	11,637	18.6
Personnel expenses	(195,644)	(185,900)	5.2
Total Operating Expenses	(1,431,109)	(1,371,265)	4.4
Gross Operating Profit (EBITDA)	505,847	442,267	14.4
Amortization, depreciation, impairment and provisions			
Amortization/depreciation	(168,972)	(155,448)	8.7
Provisions and impairment	(16,436)	(22,501)	(27.0)
Other provisions and impairment	(5,154)	(7,400)	(30.4)
Total amortization, depreciation impairment and provisions	(190,562)	(185,349)	2.8
Operation Profit (EBIT)	315,285	256,918	22.7
Financial Income			
Financial Income	19,305	16,472	17.2
Financial expense	(49,952)	(56,428)	(11.5)
Net Financial Income	(30,647)	(39,956)	(23.3)
Share of profit (loss) of associates accounted for using the equity method	825	4,541	(81.8)
Impairment losses on investments	2,061	8,579	(76.0)
Profit before tax	287,524	230,082	25.0
Income tax expenses	(88,314)	(72,529)	21.8
Profit for the period from continuing operations	199,210	157,553	26.4
Profit from discontinued operations	-	-	-
Profit for the period	199,210	157,553	26.4
Attributable to:			
- owners of the Parent	187,152	144,808	29.2
- non-controlling interests	12,058	12,745	(5.4)

(*) As provided by IFRS 3, with the completion of the Purchase Price Allocation, the economic balances for the first half 2017 have been restated, to take into account, at the acquisition date, the final fair value of the purchased assets and liabilities related to REI – Ricuperi Ecologici Industriali and Salerno Energia Vendite.

(**) Variation of more than 100%

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IREN GROUP: RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 30/6/2018

(Thousands Euro)

	30.06.2018	31.12.2017	Var. %
Non-current assets	5,669,366	5,412,159	4.8
Other non-current assets (liabilities)	(413,028)	(177,981)	(*)
Net Working Capital	166,028	181,869	(8.7)
Deferred tax assets (liabilities)	125,636	64,011	96.3
Provisions and employee benefits	(622,043)	(618,194)	0.6
Assets (Liabilities) held for sale	524	8,724	(94.0)
Net invested capital	4,926,483	4,870,588	1.1
Shareholders' Equity	2,498,695	2,498,803	(0.0)
<i>Non-current financial assets</i>	<i>(171,269)</i>	<i>(165,767)</i>	3.3
<i>Non-current financial indebtedness</i>	<i>2,794,200</i>	<i>3,023,888</i>	(7.6)
Non-current net financial indebtedness	2,622,931	2,858,121	(8.2)
<i>Current financial assets</i>	<i>(589,269)</i>	<i>(675,468)</i>	(12.8)
<i>Current financial indebtedness</i>	<i>394,126</i>	<i>189,132</i>	(*)
Current net financial indebtedness	(195,143)	(486,336)	(59.9)
Net financial debt	2,427,788	2,371,785	2.4
Own funds and net financial indebtedness	4,926,483	4,870,588	1.1

(**) Variation of more than 100%

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IREN GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS AT 30/6/2018

(Thousands Euro)

	30.6.2018	30.6.2017 Redetermined*	Var. %
A. Opening Net Financial Debt	(2,371,785)	(2,457,107)	(3.5)
Cash flow from operating activities			
Profit (loss) for the period	199,210	157,553	26.4
Adjustment for non-financial elements	326,086	301,639	8.1
Benefits to employees	(4,666)	(3,484)	33.9
Net change in provision for risk and other changes	(11,784)	(15,369)	(23.3)
Change in other non-current assets and liabilities	(2,248)	8,674	(**)
Other changes	(19,106)	(5,255)	(**)
Taxes paid	-	(57,471)	(100.0)
B. Cash flows from operating activities before changes in NWC	487,492	386,287	26.2
C. Cash flows from changes in NWC	(85,110)	(82,309)	3.4
D. Cash flows from/(used in) operating activities (B+C)	402,382	303,978	32.4
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant, equipment and investment property	(164,179)	(103,207)	59.1
Investments in financial assets	-	(15,175)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	13,930	2,794	(**)
Change in consolidation perimeter	(220,960)	(10,127)	(**)
Dividends received	1,224	1,665	(26.5)
E. Total cash flow from/(used in) investing activities	(369,985)	(124,050)	(**)
F. Free cash flow (D+E)	32,397	179,928	(82.0)
Cash flow from/used in financing activities			
Capital increase	52,622	-	-
Dividends paid	(112,973)	(88,864)	27.1
Interests paid	(28,066)	(38,935)	(27.9)
Interests received	7,325	7,707	(5.0)
Change in fair value of hedging derivatives	5,241	4,779	9.7
Other changes	(12,549)	(10,564)	18.8
G. Total cash flows from/(used in) financing activities	(88,400)	(125,877)	(29.8)
H. Change in Net Financial Debt (F+G)	(56,003)	54,051	(**)
I. Closing Net Financial Debt (A+H)	(2,427,788)	(2,403,056)	1.0

(*) As provided by IFRS 3, with the completion of the Purchase Price Allocation, the financial flows for the first half 2017 have been restated, to take into account, at the acquisition date, the final fair value of the purchased assets and liabilities related to REI – Ricuperi Ecologici Industriali and Salerno Energia Vendite.

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